S&MM
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AN S&MM SPECIAL SECTION
Hiring and Training
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S&MM'S ANNUAL SURVEY OF EXECUTIVE COMPENSATION

The 6% pinch and the 8% prediction

A year of missed sales targets and high turnover in the executive ranks added up to small change for the nation's highest-paid marketers in 1982. Their 6% average pay increase was the lowest in five years, and things don't look much better for 1983. Compensation consultant Randolph Keuch of Sibson & Co. predicts a maximum 8% raise for marketers this year as companies fight to hold down sales costs. Other highlights of S&MM's exclusive compensation survey: Computer marketers surge ahead, and the first woman makes the list. Page 41.

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S&MM cover photo by H. Armstrong Roberts, Inc.

hardware, home center, lawn and garden, and farm equipment dealers. In the South and West, 20 distributors handle the line.

Under Simplicity's co-op program, dealers get unlimited matching funds; Frazier claims his company was the first in the industry to make that offer. For spring 1984 the plan will be even more generous: dealers will get fully paid advertising plus matching funds for any amount they spend.

He adds that one reason Simplicity has gained market share in a soft market is that his salespeople help dealers create effective ads. Salespeople are briefed on the ad theme and schedule for the year and then, says marketing services manager Donald P. Giageos, they literally do a "workshop with scissors and paste" with their dealers. Salespeople also plan dealers' promotion schedules and make media contacts for them.

Sales support is so important in staying ahead of the competition, Frazier believes, that when distributors trim their sales forces, Simplicity replaces the distributors with its own sales force. S&MM

DEVELOPING MARKETS

Spartus: Timers will tell

Spartus, the Skokie, IL, division of Kidde known for its electronic alarm clocks, is now trying to electrify the high-priced end of what it considers a dormant market: home security timers.

Last year, U.S. homeowners spent $65 million on timers, which automatically turn lights and electrical appliances on and off, this to deter would-be burglars. The bulk of their

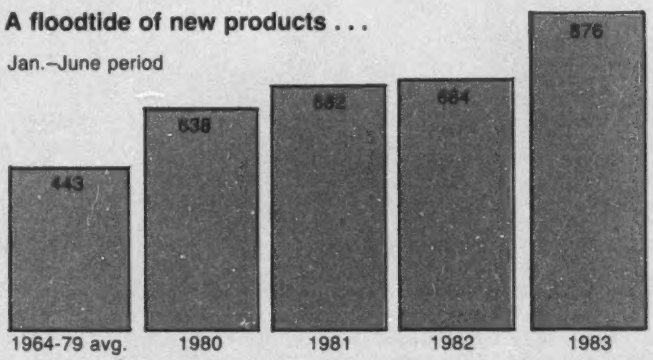
S&MM SALESGRAPH

Marketers' hard day's night is ending

For the first time since the 1980s began, marketers face the heady prospects of a prolonged boom. With jobs, take-home pay, and consumer confidence all rising, retail sales are on a roll. Merrill Lynch's chief economist, Jack Lavery, says "the recovery, while bumpy, will remain intact until at least the middle of 1985."

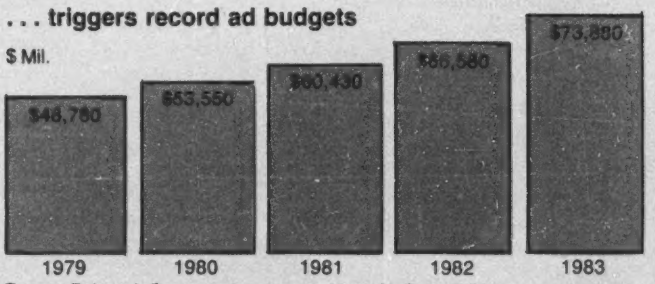
To fuel the consumer-spending urge, marketers are unveiling new products at a blistering pace, backing them with record ad outlays. In 1983's first half, the number of new food and drug products soared 28% over 1982's like period, Dancer Fitzgerald Sample's *New Products News* notes. As a result, marketers are rebudgeting for bigger ad spending. Robert J. Coen, senior vice president, McCann-Erickson, says such spending will jump 11% to $74 billion this year, compared to the 9% gain he foresaw last December. Reporting on Doyle Dane Bernbach's latest consumer survey, research chief Ruth Ziff says "consumers are on the brink, ready to spend," but she frets that persistent high unemployment may crimp their plans. Not to worry, says Martin Duffy, vice president, Data Resources. "Consumers are more sensitive to the direction in which the employment rate is moving and to whether jobs are opening up," he says. "In both areas, they see improvements."

A floodtide of new products . . .



Source: Dancer Fitzgerald Sample, *New Product News*.

. . . triggers record ad budgets



Source: Robert J. Coen, senior vice president, McCann-Erickson.
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S&MM'S ANNUAL SURVEY OF EXECUTIVE COMPENSATION

The 6% pinch and the 8% prediction

By AL URBANSKI
Associate Editor

The recession hit marketers' pocketbooks much harder than had been expected in 1982. After receiving a surprise 16% raise in base pay (salaries, fees, directors' fees, bonuses, and commissions) in 1981, the nation's highest-paid sales and marketing executives got a mere 6% pay boost on the average last year, their lowest increase in more than five years.

"A lot of these guys just didn't hit their sales targets in 1982," says Randolph Keuch, executive compensation consultant at Sibson & Co. "The result was lower commissions and a small overall increase in base pay." Sibson, a Princeton, NJ, consulting company, helped prepare S&MM's survey of 1982 compensation for top sales and marketing executives that covers 110 marketers at 105 companies.

One of the distinguishing marks of this year's list of top-earning marketers is that, for the first time, it includes a woman. With a base pay of $75,720, Victoria A. Brown, vice president of sales at Timeplex, is the fifth-highest-paid executive at her company.

The average base pay for marketers included in the survey dipped to $158,000 from $173,000 a year earlier because of high turnover in the top sales and marketing ranks at many companies. More than a fourth of the surveyed companies installed new top sales or marketing executives in 1982, most of whom earned less than their predecessors.

Much of this executive turnover can be tied to 1982's poor sales climate. In an effort to reduce sales costs, says Keuch, many companies forced early retirement on older, higher-paid marketers and replaced them with younger staff members. But Keuch adds that conditions in 1982 also elevated some sales and marketing executives to higher office. Former Whirlpool marketing chief

The 10 best-paid sales and marketing executives

	Salaries, Fees, Directors' Fees, Bonuses, Commissions	% Change 1981–82	Securities, Personal Benefits	Total Remuneration
1. Nicholas M. DiBari *sr. v.p., marketing* **Comdisco**	$1,160,972	– 1%	$ 11,056	$1,172,028
2. Mahlon L. Moore *v.p., marketing* **Network Systems**	93,998	+ 15	761,730	855,728
3. Murray J. Yudin *v.p., national sales* **Guardian Industries**	152,905	– 13	681,261	834,166
4. Norman Shulman *v.p., flat glass sales* **Guardian Industries**	152,905	– 13	678,761	831,666
5. Irving L. Rousso *exec. v.p., sales & marketing* **Russ Togs**	671,000	+ 16	45,475	716,475
6. William S. McConnor *sr. v.p., refinery marketing* **Union Oil of California**	541,924	+ 31	27,914	569,838
7. Larry W. Kifer *v.p., marketing* **ITE Communications**	563,018	– 26	5,075	568,093
8. David M. Tracy *sr. marketing officer* **J.P. Stevens**	449,100	+203	11,100	460,200
9. Jerry T. Kendall *sr. v.p., U.S. marketing* **Paradyne**	142,760	+ 13	284,773	427,533
10. Bernard S. Appel *exec. v.p., marketing, Radio Shack* **Tandy**	350,000	+ 17	42,000	392,000

Jack D. Sparks dropped off S&MM's list this year after taking over his company's CEO spot, and Bruno Bich of Bic Pen makes his final appearance, having recently been named president. .

"In the last five years, we saw a lot of financial types taking over the chief executives' suites," says Keuch. "But I think we're going to see more marketers in the top spots now as companies concentrate on increasing sales productivity."

A 6% cut for services

Computer companies are obviously among those attaching a higher importance to sales and marketing. More sales and marketing executives than ever before were listed among the five highest-paid officers in computer company proxies, placing 29 marketers of computer systems, peripherals, and services on S&MM's 1982 list vs. only 17 for 1981. Prime Computer, for instance, gave its new marketing chief, Harold F. Enright Jr., a $75,000 signing bonus for joining the company, a price that would be considered high even for a CEO.

Perhaps the most unusual compensation trend in 1982 occurred among service companies. They cut marketers' base pay 6% despite showing a 40% increase in profits. Keuch says there were two reasons for this: (1) 1982 profits at many of these companies reflect 1981 selling activity, and (2) the pay cut balances the 18% increase that service marketers won in 1981.

One such service marketer is Larry W. Kifer, vice president of marketing for TIE/Communications, whose base pay of $563,018 represented a 26% drop from 1981 despite a 41% boost in his company's 1982 profits. An 88% profit rise at Comdisco did nothing to raise the salary of marketing chief Nicholas DiBari, though his

$1,160,972 base pay (see box) still makes him the country's highest-paid marketer. (Four other top Comdisco executives were forced to take substantial pay cuts following a stockholder suit over salary levels, however.)

A full one-third of sales and marketing executives surveyed suffered pay cuts last year, but most of the decreases were slight. The largest cut was taken by Bruce C. McGilaway, vice president of marketing at ISC Systems, whose $149,114 base pay was 46% less than what he got in 1981. Yet don't expect McGilaway to drag his feet around his office over it. He also realized a net gain of $1,725,000 from exercising stock options in 1982.

Scoring the largest increase in 1982 was David M. Tracy, who did so by leaving the top sales slot at Fieldcrest Mills to become senior marketing officer of rival J.P. Stevens. His 203% boost lifted his base pay to $449,100 and landed him a spot on S&MM's ten-highest-paid list. Carried by Tracy and Russ Togs's Irving L. Rousso, whose base pay was $671,000, the textiles and apparel category boasted an average salary of $352,000, the highest of all industry segments surveyed.

Others registering significant increases were Analog Devices' Melvin J. Sallen, up 53% to $155,985; Galaxy Carpet Mills' Irwin Pomerantz, up 34% to $168,825, and Bic's Bruno Bich, up 34% to $197,502.

Fewer stock cash-ins

By broad industry categories, nondurable goods companies led the way with an average 10% pay raise for marketers, even though these companies experienced profit declines averaging 10%. Durable goods companies held the middle ground with raises averaging 7%, followed by the service sector's 6% decrease.

Sibson's Keuch expresses surprise in finding that fewer marketers exercised stock options in 1982, a year of heavy activity in the stock market. Notable exceptions, however, were Network Systems' Mahlon L. Moore, who collected $761,730 in securities and personal benefits, and Guardian Industries' Murray J. Yudin and Norman Shulman, who took in $681,261 and $678,761 respectively. Cash-ins placed these marketers among the top five in total remuneration in 1982.

Keuch is reluctant to make a prediction on how marketers' compensation will pan out in 1983. While most economic analysts are singing hymns of recovery, Keuch feels companies are still locking to cut sales costs. He forecasts, at the most, an 8% average raise for marketers this year.

Executive compensation survey

Company	Sales ($ Mil.)	Net Profit (Loss) ($ Mil.)	% Change 1981–82	Individual and Title	Salaries, Fees, Directors' Fees, Bonuses, Commissions	% Change 1981–82	Securities, Personal Benefits	Total Remuneration
DURABLE GOODS MFG.								
Appliances								
Conair	$ 114.4	$ 7.2	+132%	Jerry Kampel *v.p., retail sales*	$136,000	—	$19,584[1]	$155,584
Automotive								
Winnebago Industries	146.6	7.9	+ 72	Frederick G. Emmert *v.p., marketing*	80,218	N.A.	1,632	81,850
Building Materials								
Guardian Industries	418.8	33.6	+ 7	Murray J. Yudin *v.p., national sales*	152,905	−13%	681,261[2]	834,166
				Norman Shulman *v.p., flat glass sales*	152,905	−13	678,761[2]	831,666
Keller	135.7	5.3	+ 8	Samuel A. Bamman *v.p., sales & marketing*	62,500	N.A.	—	62,500
Computer Peripherals and Terminals								
Compugraphic	276.0	(6.7)	N.M.	Bryan E. Newman *sr. v.p., marketing*	97,770	−11	2,100	99,870
Micom	49.7	7.8	+ 97	Stephen W. Frankel *v.p., marketing & development*	128,481	N.A.	656	129,137
Monolithic Memories	68.5	2.8	− 59	Thomas Branch *v.p., sales*	82,685	N.M.	10,174	92,859
Network Systems	28.3	5.6	+ 60	Mahlon L. Moore *v.p., marketing*	93,998[3]	+15	761,730[4]	855,728
Paradyne	207.3	26.8	+ 47	Jerry T. Kendall *sr. v.p., U.S. marketing*	142,760	+13	284,773[5]	427,533
Printronix	64.9	5.1	+ 11	Melvin Posin *sr. v.p., marketing*	111,883	N.A.	—	111,883
Ramtek	46.0	2.6	+ 86	Anthony Glinskas *v.p., sales*	93,457[6]	N.A.	2,735	96,192
System Industries	75.4	2.2	− 51	D. Kent Winton *sr. v.p., marketing*	136,504	N.A.	4,642	141,146
Verbatim	85.1	9.4	+840	Harry J. Fekkes *sr. v.p., marketing*	116,760	N.A.	7,426	124,186
Wespercorp	20.3	1.7	+ 21	Jack D. Olson *v.p., marketing*	71,754	N.A.	15,060	86,814
Computer Systems								
Alpha Microsystems	26.4	1.5	+ 25	Lloyd M. Lokka[7] *v.p., marketing*	75,340	N.A.	—	75,340
Amdahl	462.2	6.8	− 75	William F. O'Connell Jr. *sr. v.p., int'l marketing*	226,201[8]	+11	10,770	236,971
Apple Computer	583.0	61.3	+ 56	Gene P. Carter *v.p., sales*	177,909[9]	N.A.	5,975	183,884
ASK	22.7	2.3	+ 64	Thomas C. Lavey *v.p., sales & marketing*	108,219	N.A.	22,237[10]	130,456
Convergent Technologies	96.5	11.9	+1,387	Richard G. Meise *v.p., sales*	235,571[9]	N.M.	17,416[11]	252,987
Cray Research	141.2	19.0	+ 4	Bruce N. Kasson *v.p., U.S. marketing*	122,291	N.M.	19,105[12]	141,396
Cycare Systems	23.5	1.2	+ 9	James D. Dyer *sr. v.p., marketing*	48,762	N.A.	18,829[13]	67,591
Decision Data Computer	74.3	3.8	+ 80	Michael C. Brody *v.p., marketing*	118,885	+ 5	192	119,077

N.A.—Not available.
N.M.—Not meaningful.
[1]Excludes $20,716 earned through exercise of stock options.
[2]Includes stock awards of at least $200,000 payable under a 1978 employment agreement, and a deferred bonus.
[3]Includes $30,000 bonus.
[4]Includes $750,000 in stock accrued since 1978 and paid in 1982.
[5]Includes amounts received from stock plans and amounts expensed for profit-sharing plan.
[6]Includes $26,000 bonus accrued in fiscal 1982, to be paid in fiscal 1983.
[7]Resigned April 1982.
[8]Includes $28,300 bonus.
[9]Includes amounts accrued but not paid in 1982.
[10]Includes amount received from stock plans.
[11]Includes relocation expenses.
[12]Includes amounts expensed for profit-sharing plan.
[13]Includes $17,084 for relocation expenses.

Executive compensation survey

Company	Sales ($ Mil.)	Net Profit (Loss) ($ Mil.)	% Change 1981–82	Individual and Title	Salaries, Fees, Directors' Fees, Bonuses, Commissions	% Change 1981–82	Securities, Personal Benefits	Total Remuneration
Computer Systems (cont.)								
Floating Point Systems	$ 86.5	$ 11.5	+ 80%	Robert N. Schuhmann Jr. *v.p., marketing & sales*	$197,202	+30%	$166,141[14]	$363,343
Prime Computer	435.8	44.9	+ 19	Harold F. Enright Jr. *v.p., marketing & strategy*	152,404[15]	N.M.	106,128[16]	258,532
Sykes Datatronics	42.8	0.6	– 92	Albert J. Montevecchio[17] *exec. v.p., marketing*	119,500[15]	N.A.	11,877	131,377
Vector Graphic	36.2	2.4	– 8	James E. Alexander *v.p., sales*	69,214	N.A.	50,678[18]	119,892
Zentec	21.5	1.3	– 48	Paul C. LaVoie[19] *v.p., marketing*	102,306[15]	N.A.	15,830	118,136
Consumer Durables								
Bic	218.7	7.2	– 12	Bruno Bich[20] *v.p., sales & marketing*	197,502	+34	11,987	209,489
Milton Bradley	360.2	19.2	– 4	George R. Ditomassi Jr. *sr. v.p., marketing*	154,000	+ 8	575	154,575
Mirro[21]	89.1	0.9	N.M.	Richard A. Schmidt *v.p., marketing*	65,000	+12	1,338	66,338
National Presto Industries	114.9	19.2	– 7	Walter G. Ryberg *v.p., sales*	166,584	– 1	—	166,584
Oneida	305.5	7.7	– 64	Robert E. Sanderson *exec. v.p., marketing; CEO, Oneida Silversmiths Group*	116,577	–26	14,482	131,059
Snap-On Tools	430.5	37.3	– 7	Lynn A. Ameche *sr. v.p., marketing*	190,605	– 5	—	190,605
Vermont American	181.9	6.6	– 48	Harold L. Knight *v.p., marketing*	137,400[22]	+20	5,173	142,573
Electrical, Electronics								
Analog Devices	174.0	10.0	+117	Melvin J. Sallen *group v.p., sales*	155,985	+53	32,829[23]	188,814
Cubic	293.6	16.2	+ 47	C.C. Wellborn *v.p., marketing*	109,535[24]	+18	10,317[25]	119,852
Inter-Tel	34.9	1.1	– 73	J. Eric Mustad[26] *v.p., sales*	118,002	N.A.	23,659[27]	141,661
Kevex	20.1	2.1	– 11	Richard J. Cushing *v.p., marketing*	52,513	N.M.	5,000	57,513
RTE	224.9	5.4	– 17	Frederick R. Gloeckner *v.p., marketing*	106,503	N.M.	866	107,369
Tandy	2,032.5	224.1	+ 32	Bernard S. Appel *exec. v.p., marketing, Radio Shack*	350,000	+17	42,000[28]	392,000
Timeplex	32.2	1.8	–10	William J. Smith *v.p., dir. commercial sales*	118,023	N.A.	450	118,473
				Victoria A. Brown *v.p., sales*	75,720	N.A.	4,528	80,248
Machinery and Equipment								
ADAC Laboratories	53.0	4.8	+2,300	John M. Burgess *v.p., marketing & sales*	167,224[29]	N.A.	—	167,224
Baldor Electric	150.0	8.5	– 27	Robert E. Bender *v.p., sales*	98,662[30]	+11	6,650	105,312
Caterpillar	6,469.0	(180.0)	N.M.	Erskine C. Chapman *exec. v.p., sales*	267,318	+ 7	24,931[31]	292,249

N.A.—Not available.
N.M.—Not meaningful.
[14]Includes $52,453, which represents value of company loan at below market interest rates.
[15]Includes deferred compensation.
[16]Includes relocation expenses of $31,128 and signing bonus of $75,000.
[17]Retired during fiscal 1982.
[18]Includes amounts received through exercise of stock options.
[19]Resigned effective February 1983.
[20]Now serving as president and chief operating officer.
[21]Currently merging with Newell Cos.
[22]Includes bonus earned in 1982, to be paid in three annual installments beginning in 1984.
[23]Includes amounts expensed for profit-sharing and stock-purchase plans.
[24]Includes deferred compensation.
[25]Includes premiums paid by company for life insurance and amounts expensed for profit-sharing plan.
[26]Resigned Mar. 31, 1983.
[27]Includes amount expensed for retirement plan.
[28]Includes amount received through employee stock-purchase plan.
[29]Includes commissions accrued but not paid in 1982.
[30]Includes $48,622 bonus.
[31]Includes amounts expensed through employee stock-purchase plan.

Executive compensation survey

Company	Sales [$ Mil.]	Net Profit (Loss) [$ Mil.]	% Change 1981–82	Individual and Title	Salaries, Fees, Directors' Fees, Bonuses, Commissions	% Change 1981–82	Securities, Personal Benefits	Total Remuneration
Machinery and Equipment (cont.)								
Hathaway	$ 4.0	$ 0.4	+ 33%	Thomas H. Crowe *v.p., marketing*	$102,425	N.A.	$ 8,384[32]	$110,809
Healthdyne	16.5	2.8	+250	Jeffrey D. Koepsell *v.p., marketing & services*	64,577	+24%	5,773	70,350
Intergraph	155.6	13.0	+ 57	William D. Zarecor *exec. v.p., marketing & European ops.*	110,000	N.A.	8,325	118,325
National Mine Service	176.7	4.4	+300	Charles L. Douglas *v.p., sales & marketing*	127,400	N.M.	1,058	128,458
Steiger Tractor	110.1	0.9	– 66	E.W. Muehlhausen *v.p., marketing*	80,000	–13	2,446	82,446
Metals and Mining								
Cleveland-Cliffs Iron	269.9	(30.2)	N.M.	Frank S. Forsythe *sr. v.p., sales*	112,000	– 2	11,512[33]	123,512
Hanna Mining	143.2	(80.3)	N.M.	G.M. Humphrey II *sr. v.p., sales*	117,000	–11	10,725[34]	127,725
UNC Resources	354.3	(14.1)	N.M.	William R. Bush *exec. v.p., corporate affairs & marketing policy*	233,773	+11	9,514	243,287
Office Equipment and Supplies								
Deluxe Check Printers	549.5	64.9	+ 22	Robert D. Racine *sr. v.p., marketing*	137,089	+14	28,985	166,074
General Binding	144.4	4.1	– 45	George M. Durkin *v.p., domestic sales*	72,626[35]	N.A.	3,649	76,275
Lanier Business Products	349.7	25.9	+ 2	George L. DeBenedetto *exec. v.p., marketing*	135,000	–26	790	135,790
				Cecil H. Herline Sr. *exec. v.p., national sales*	135,000	–26	1,929	136,929
Standard Register	330.1	17.2	+ 12	Peter S. Redding *v.p., marketing*	161,458	N.M.	43,293[36]	204,751
Steel								
Bethlehem Steel	5,260.3	(1,469.6)	N.M.	D. Sheldon Arnot *group exec. v.p., steel sales*	218,460	N.A.	24,698[37]	243,158
Other Durable Goods								
Alco Standard	2,852.0	61.6	+ 6	Edward N. Patrone *sr. v.p., distribution*	257,000	+ 8	11,500[38]	268,500
Conwood	183.5	20.3	+ 19	E.C. Powell *v.p., marketing*	310,136	+ 8	14,660	324,796
Cooper Tire & Rubber	430.4	19.0	+ 10	W.T. Fitzgerald *exec. v.p., marketing*	234,063	+14	—	234,063
Firestone	3,869.0	6.0	– 96	R.S. Bowen *group pres., sales & marketing*	189,167	–26	6,300	195,467
Leggett & Platt	275.0	9.1	– 24	Ralph V. Johnson *sr. v.p., director, marketing & sales*	98,321	– 7	3,640	101,961
Standex International	365.7	13.5	– 11	Sol Sackel *sr. v.p., marketing & corporate communications*	111,937	N.A.	2,455	114,392
Sullair	138.0	(15.3)	N.M.	Martin A. Grano *v.p., sales subsidiaries*	65,745	N.A.	43,265[39]	109,010

N.A.—Not available.
N.M.—Not meaningful.
[32]Excludes $37,125 realized through exercise of stock options.
[33]Includes amount expensed to restricted stock plan.
[34]Includes amount credited to retirement plan.
[35]Includes bonus accrued in 1981, paid in 1982.
[36]Includes deferred compensation.
[37]Includes $20,015 expensed for future payment.
[38]Includes amounts expensed through employee stock-purchase plan.
[39]Includes relocation expenses of $36,000.

Executive compensation survey

Company	Sales ($ Mil.)	Net Profit (Loss) ($ Mil.)	% Change 1981–82	Individual and Title	Salaries, Fees Directors' Fees, Bonuses, Commissions	% Change 1981–82	Securities, Personal Benefits	Total Remuneration
Other Durable Goods (cont.)								
Tektronix	$1,061.8	$80.2	+ 1%	Lawrence L. Mayhew *group v.p., division ops./ product marketing & mfg.*	$159,140	+20%	$48,872[40]	$208,012
				Lawrence Sutter[41] *v.p., design automation, sales & marketing, mfg. & engineering*	113,541	N.M.	4,139[40]	117,680
Xidex	93.4	9.7	+ 43	Richard F. Polhemus *v.p., general manager, domestic sales*	124,988[42]	N.M.	3,920	128,908
NONDURABLE GOODS MFG.								
Beverages								
Dr Pepper	516.1	12.4	– 59	Thomas L. Kalahar[43] *exec. v.p., marketing ops.*	133,161	N.M.	6,056	139,217
G. Heileman Brewing	1,000.6	45.7	+ 14	John S. Pedace *exec. v.p., marketing*	223,350	+ 9	36,938[44]	260,288
Chemicals								
First Mississippi	303.2	16.8	– 52	James W. Crook *v.p., sales, fertilizer*	210,989	+27	10,672	221,661
Hercules	2,469.0	98.4	– 28	R.J. Leahy *divisional v.p., int'l marketing*	214,455[45]	– 6	13,491	227,946
Oakite Products	75.6	3.2	– 36	F.A. Schnitzler *v.p., sales*	52,986	N.M.	21,714[46]	74,700
Food Processing								
C.H.B. Foods	287.3	3.4	– 15	Michael Pasarow *v.p., sales & advertising*	77,600	+18	17,286	94,886
Dinner Bell Foods	284.9	1.8	– 28	Terry S. Elberson *exec. v.p., marketing*	80,200	– 3	1,614	81,814
Interstate Bakeries	668.3	2.7	N.M.	John F. Matthes *sr. v.p., sales & marketing*	90,865	N.A.	—	90,865
Rath Packing	465.0	21.6	N.M.	Wallace E. Rath *sr. v.p., sales & marketing*	55,025	N.M.	—	55,025
				John R. DeGroot *v.p., national sales manager, retail sales division*	54,208	– 2	—	54,208
William Wrigley Jr.	581.5	35.8	+ 26	Ronald O. Cox *v.p., marketing*	168,918	+21	9,163	178,080
Paper and Forest Products, Packaging								
Consolidated Papers	530.0	40.0	– 27	G.T. Beckley *v.p., marketing, enamel printing paper*	99,298	+10	—	99,298
Edward Hines Lumber	180.5	(31.6)	N.M.	W.M. Archibald *sr. v.p., retail sales*	86,000	N.M.	—	86,000
National Can	1,541.5	34.1	+ 38	Louis F. Umsted *sr. v.p., sales & marketing*	181,161[47]	N.M.	10,964	192,125
Personal Care Products								
Minnetonka	69.1	(3.9)	N.M.	Grant L. Wood *v.p., marketing*	72,115	N.A.	—	72,115
A.H. Robins	482.3	48.7	+ 10	John L. Burke, *sr. v.p.*	133,972[48]	– 3	55,189	189,161
Petroleum and Oil Field Services								
Union Oil of California	10,899.1	804.0	+ 2	William S. McConnor *sr. v.p., refinery marketing*	541,924[49]	+ 31	27,914	569,838
Textiles and Apparel								
Galaxy Carpet Mills	151.8	4.6	– 24	Irwin Pomerantz *sr. v.p., marketing*	168,825[50]	+ 34	8,302	177,127
Russ Togs	226.1	10.1	– 8	Irving L. Rousso *exec. v.p., sales & marketing*	671,000	+ 16	45,475	716,475

N.A.—Not available.
N.M.—Not meaningful.
[40]Profit-sharing contribution plus interest on deferred compensation.
[41]Group v.p. as of July 22, 1982.
[42]Includes accrued bonus of $60,000 and deferred compensation.
[43]Resigned during fiscal year 1982.
[44]Includes amounts credited for profit-sharing plan and for retirement program.
[45]Includes $15,234 earned under the unit incentive plan and does not include the value of any restricted stock awards.
[46]Includes $19,084 expensed for retirement benefits.
[47]Includes $50,040 bonus.
[48]Includes deferred bonus of $13,272.
[49]Includes $294,591 deferred compensation.
[50]Includes bonus accrued in 1981, paid in 1982.

Executive compensation survey

Company	Sales ($ Mil.)	Net Profit (Loss) ($ Mil.)	% Change 1981–82	Individual and Title	Salaries, Fees Directors' Fees, Bonuses, Commissions	% Change 1981–82	Securities, Personal Benefits	Total Remuneration
Textiles and Apparel (cont.)								
J.P. Stevens	$1,814.3	$ 22.3	N.M.	David M. Tracy *sr. marketing officer*	$449,100	+203%[51]	$11,100	$ 460,200
Texfi Industries	124.2	(4.7)	N.M.	E.B. Lineweaver *v.p., marketing & merchandising*	120,000	N.M.	672	120,672
SERVICES								
Computer Services and Software								
Advanced Computer Techniques	18.4	0.7	N.M.	Leslie B. Hersh *exec. v.p., marketing*	86,154	N.A.	951	87,105
Comdisco	471.6	29.4	+ 88%	Nicholas M. DiBari *sr. v.p., marketing*	1,160,972[52]	– 1	11,056	1,172,028
Computer Task Group	39.5	1.1	– 15	John P. Courtney *exec. v.p., marketing*	147,467	N.A.	1,257	148,724
Infotron Systems	34.1	2.4	+140	Jeffrey D. Kraengel *sr. v.p., marketing*	107,927	+ 28	1,495	109,422
ISC Systems	63.2	8.0	+ 82	Bruce C. McGilaway *v.p., marketing*	149,114[53]	– 46	10,792[54]	159,906
Pansophic	35.5	4.6	+ 84	Edward F. Horst Jr. *sr. v.p., sales & marketing*	195,000	N.A.	26,946	221,946
Publishing, Communications								
Grolier	333.2	4.3	– 70	Howard B. Graham *sr. v.p., marketing, product development*	155,882	N.A.	1,531	157,413
Harte-Hanks Communications	396.9	27.2	+ 8	Charles H. Everill *sr. v.p., marketing; pres. consumer distribution marketing*	164,932	+ 8	35,606	200,538
MCI Communications	506.4	86.5	+309	Carl M. Vorder Bruegge *sr. v.p., sales & marketing*	195,700	N.A.	32,200	227,900
Quotron	110.4	17.0	+32	George H. Levine *v.p., marketing & corporate secretary*	154,202	N.A.	612	154,814
TIE/Communications	171.5	14.8	+41	Larry W. Kifer *v.p., marketing*	563,018[55]	–26	5,075	568,093
W.A. Krueger	208.3	6.7	–14	Gordon W. Moran *sr. v.p., sales & marketing*	113,488[56]	+19	6,109	119,597
Retail and Wholesale								
Walgreen	2,039.5	56.1	+33	Vernon A. Brunner *sr. v.p., marketing*	175,932	N.M.	87,390[57]	263,322
Zayre	2,139.6	35.1	+59	Robert Alger *exec. v.p., sales ops.*	227,098	N.A.	59,847[58]	286,945
Transportation								
American Airlines	3,977.8	(18.2)	N.M.	Thomas G. Plaskett *sr. v.p., marketing, of American*	185,000	+ 4	1,395	186,395
Eastern Air Lines	3,769.2	(74.9)	N.M.	Russell L. Ray, Jr. *sr. v.p., marketing*	160,748	– 3	35,985	196,733
Pan American World Airways	3,397.7	(314.5)	N.M.	Stephen M. Wolf[59] *sr. v.p., marketing*	135,443	N.M.	2,815	138,258
Other Services								
Advanced Systems	31.8	3.2	+39	Terry L. McMullen *v.p., national sales & marketing; v.p., sales*	102,356	N.A.	20,752	123,108
Browning-Ferris Industries	714.9	62.6	+29	Norman A. Meyers *exec. v.p., chief marketing officer*	291,250	N.A.	2,661	293,911

N.A.—Not available.
N.M.—Not meaningful.
[51]Represents increase over salary received as sr. v.p., sales, at Fieldcrest Mills in 1981.
[52]Includes commission of $1,088,972.
[53]Includes bonus of $94,114.
[54]Does not include gain of $1,725,000 from the exercise of stock options.
[55]Includes commission of $488,964.
[56]Includes bonus accrued but not paid in 1982.
[57]Includes amounts expensed for profit-sharing plan, retirement plan, and $58,343 in restricted stock.
[58]Includes $52,390 received through restricted stock plan.
[59]Resigned Nov. 19, 1982.

S&MM
SALES & MARKETING MANAGEMENT

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SEPTEMBER 12, 1983
A BILL PUBLICATION
FIVE DOLLARS

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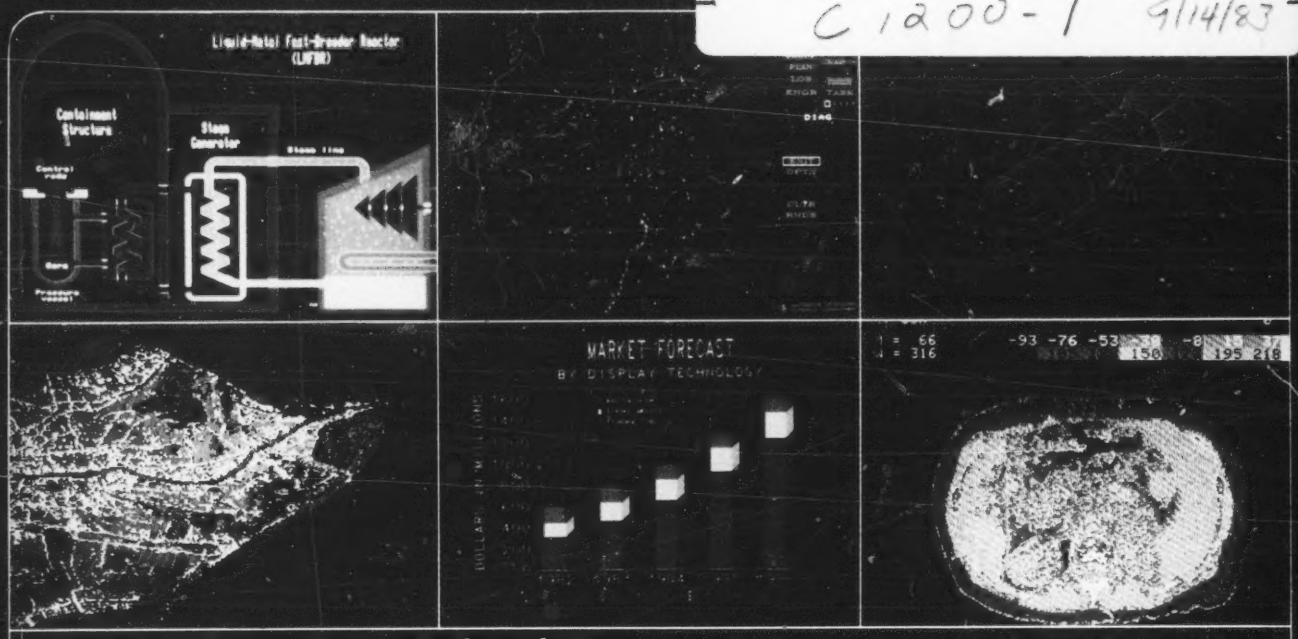

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The gay marketplace. Demographically, the U.S. gay population presents a major market opportunity. Some advertisers are already on target. Oct. 10.

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A pioneer in the color computer graphics market learns that high technology is not immune to recessions. With sales and profits down, Ramtek mounts a marketing thrust to regain its winning ways. For salespeople: innovative two-level quotas.

Ramtek sharpens its marketing picture

By THAYER C. TAYLOR
Senior Editor/Management Sciences

One critical aspect often overlooked in all the talk about high-flying hi-tech companies is that it takes marketing savvy to keep them on the winning track. Exhibit A is Ramtek Corp., a pioneer in the color computer graphics business whose raster scan video technology (the familiar color TV image) sent sales soaring 80% to $46 million in the 1980–82 period. However, the Santa Clara, CA, company reported the first revenue drop in its 12-year history, to $41.5 million, for the fiscal year ended June 30 and, worse yet, a profits plunge from $2.7 million to $1 million.

The recession, of course, contributed, as witness the equally dismal results posted by Ramtek's chief rivals: Tektronix, Beaverton, OR, sales flat at $1.2 billion and profits down 22% to $114 million for fiscal 1983; Lexidata, Billerica, MA, sales off 20% to $17.6 million and a loss of $1.7 million for the nine months ended June 30.

Compounding the recession's impact was the slew of new competitors attracted by computer graphics' growth prospects. "The industry is an example of pure competition," notes Neal Kleinman, general manager of International Data Corp.'s Pacific Technology Center, Santa Monica, CA. "With big computer companies coming in at the top with their own graphics terminals, and lots of start-ups with new technology or low-cost products entering at the bottom, margins are squeezed, prices fall, yet you have to maintain your investment in product innovation."

The recession couldn't have come at a worse time, from Ramtek's viewpoint, because it hit the company just as, says marketing vice president Peter W. Cassady, "we are making the transition from a technology-driven company to a market-driven one. We expanded our sales force 50%, put in new product marketing programs, and readied several new products for introduction."

While Cassady believes the worst is behind him, others aren't so sure. Jonathan Art, financial analyst with the Gartner Group, a Stamford, CT, hi-tech research company, thinks Ramtek's ability to recover "will be a function of the general economy, how their target markets perform, and how quickly they win an acceptance of some potentially exciting new products."

Because hi-tech companies,

Overview of the booming computer graphics market

Market Segment	Worldwide Revenues Of U.S. Manufacturers 1981 ($ Mil.)	1986 ($ Mil.)	AACGR*
CAD/CAM systems	$ 920	$3,480	30.5%
Graphic displays	575	1,182	15.5
Plotters & printer/plotters	380	1,067	22.9
Image processing	73	450	43.9
Graphics cameras	52	162	25.5
Digitizers	38	124	26.7
Software, services, maintenance, supplies	442	1,500	27.8
Total	**$2,480**	**$7,965**	**26.3%**

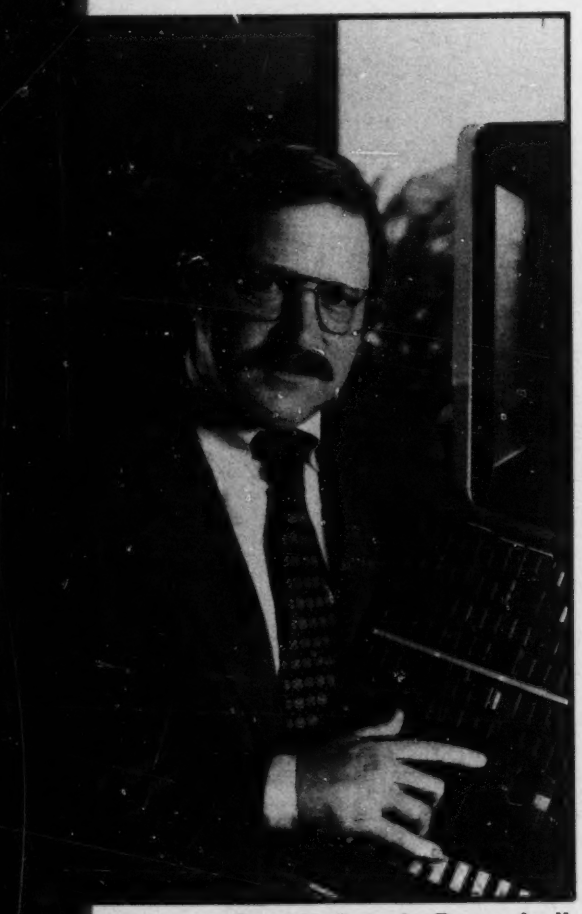
*Average annual compound growth rate.
Note: Data refer to products and systems for which graphics capability is the major aspect of application and use. Data terminals with graphics capability excluded.
Source: International Data Corp., *Industry Trends in Computer Graphics.*

far more than most other firms, must maintain research at high levels, Cassady insists "we're not bothered by today's bottom line because we're investing in future growth."

Certainly, Ramtek is positioned in an industry with glowing prospects. Karl Machover, a White Plains, NY, consultant, in *The Computer Graphics Work Stations Market in the U.S.*, a study prepared for Frost & Sullivan, New York City, predicts that raster graphics will soar to more than $3 billion by 1988, from $575 million in 1983. A report by Creative Strategies, a San Jose, CA, research company, sees the market exploding to $2.5 billion in 1986, from $357 million in 1982.

Ramtek's Cassady estimates that industry sales of color raster graphics, the company's specialty, reached $265 million last year, of which Ramtek had a 17% share. With the industry expected to quadruple by 1987, Ramtek would have to approach the $200 million level just to maintain that share. Although fiscal 1983 results put a cloud over its ability to do so, the company is driving to exploit the industry's growth potential, and to do that Cassady is giving it a marketing orientation that involves:

- Adopting three competitive strategies: cost leadership, product differentiation, and market focus.
- Boosting sales productivity.
- Linking the sales force to marketing strategy through an innovative compensation plan.



Ramtek's Cassady: Focussed selling, deeper account penetration.

A focussed trio of plans

Each of the three competitive strategies is hitched to a particular marketing goal. The low-cost strategy will be deployed against the many start-ups crowding into the field. "We think we can combat them by segmenting our product by market," Cassady says, "which will enable us to keep our costs and prices down." He points to the company's new 9465 display generator, aimed at the graphics and imaging markets, as an example. Priced at around $15,000, he terms it "a re-engineered version of a similar product that commanded as much as $90,000 two years ago. Even at the lower price, it gives us a comparable margin. More importantly, we established technological leadership at the low end of the market."

Product differentiation, Cassady says, "marries a product to a specific market, results in less price sensitivity and thereby higher profit margins." The strategy also aims at strengthening brand loyalty against inroads by competitors. Existing customers provide 60%–70% of Ramtek's business, Cassady says.

Focus selling pinpoints a specific buyer group within a particular market. An example is a command and control wargame system, that simulates battlefield scenarios developed for the Defense Dept. "Your share in the total market may not be high," Cassady says, "but it will be among the targeted group and that gives you better margins."

Drawing a bead on OEMs

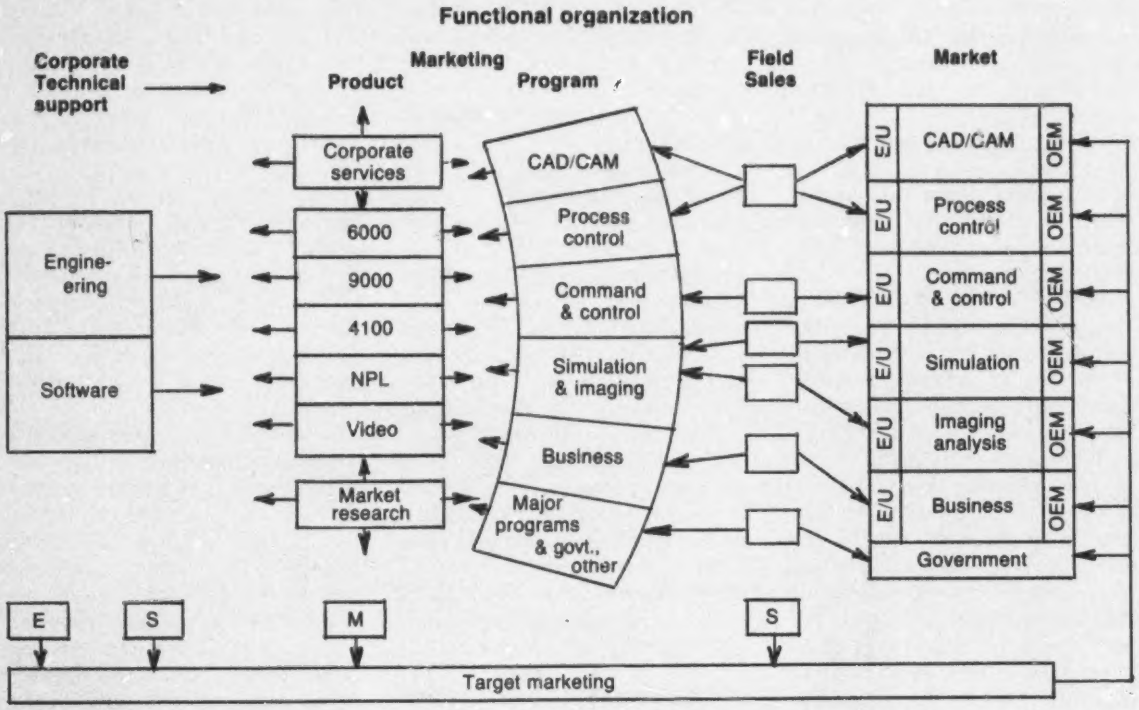
One group that Ramtek will focus on more closely is original equipment manufacturers (OEMs). A major reason, of course, is to reduce direct selling and manufacturing costs. Because OEMs develop their own software and provide product support, Ramtek is spared those expenses in such situations. Also, once a backlog is built up, manufacturing can be spread out, lowering unit costs. International Data's Kleinman notes, "selling OEMs is a good strategy because the emphasis is shifting. Through the 1970s, computer graphics hardware was more significant than software. In the 1980s, graphics software will create the demand for hardware, so people who have the applications know-how will drive the sale of hardware."

OEMs are used in all six of Ramtek's target markets (see illustration). A target account program, built around a team selling approach that combines sales and marketing, software, and engineering specialists, will focus on 20 selected OEMs where Ramtek wants to gain deeper penetration. The 20 is a floating target because when an OEM becomes a major account its place is taken by another targeted OEM.

A second focus target: computer mainframe companies. "Once they're aware of the high-price elasticity of terminals, they'll seek out OEM relationships," Cassady maintains.

He's already hit pay dirt with one mainframer, Digital Equipment Corp. (DEC), in a joint marketing program that links that company's VAX super minicomputer with Ram-

How Ramtek structures its market approach . . .



E/U: end-user.
OEM: original equipment manufacturer.
CAD/CAM: computer-aided design/computer-aided manufacturing.
NPL: new product lines.

. . . and projects market growth

Striving for deeper penetration in its six target markets, Ramtek will supplement its own end-user sales force with greater reliance on OEMS, which will include the company's products in their turnkey systems and add needed applications software. Target marketing teams will be used to help selected OEMs expand their own business in the markets. The sales force sells directly to end-users with support from the directors of the selected program/market segments. As part of the target team it will also sell OEMs.

Color Graphic Displays

Market	*1982 ($ Mil.)*	*1986 ($ Mil.)*	*% Growth*
CAD/CAM	$100	$2,800	2,700%
Process control	75	200	167
Command & control	100	400	300
Seismic processing	25	150	500
Imaging	25	400	1,500
Business graphics	50	600	1,100
Terminals	125	550	340
Total	**$500**	**$5,100**	**920%**

Note: Ramtek estimates $265 million of color raster graphic displays were shipped in 1982. Terminals are sold to all six markets.
Source: Ramtek Corp.

tek's own Marquis color graphic terminal in a single hardware engineering system aimed at the computer-aided design and computer-aided manufacturing (CAD/CAM) market. The two companies engage in team selling whenever a prospect of either company indicates an interest in the other company's product.

The deal brought Ramtek $3 million in sales during fiscal 1983. Originally, Cassady hoped it would be a much bigger OEM contract that would offset a $6.5 million cutback in orders from General Electric, Ramtek's largest customer. Still, with CAD/CAM expected to be the fastest-growing segment of the computer graphics industry, Cassady expects a substantial payoff from the DEC linkage "although it will take a little longer to develop."

A common element weaving through all three competitive strategies is a need to boost sales productivity. "In the past," Cassady recalls, "we had the luxury of answering the phone for sales leads and selling with a nominal knowledge of prospecting. We can't afford to do business that way anymore. We have to penetrate markets, get more out of a salesperson's call, and get deeper into our accounts."

Unlike most marketers, who often put the burden of achieving greater sales productivity on the backs of salespeople, Cassady recognizes that "it starts, not with disciplining the sales force, but with the design of products that are easier to

sell." Hence, sales productivity as Cassady sees it, "gets involved with everything we do: going out in the marketplace, analyzing our competitors, looking at the synergy between our products, understanding the different applications, selecting from them the ones in which we want to develop expertise, then choosing our competitve strategy."

To boost sales productivity, Cassady has fixed on shorter selling cycles, higher yields per sales call, and deeper account penetration as major goals. Because Ramtek sells to sophisticated end-users in the high end of the graphics marketplace, the sale is technically intense and the average selling cycle is 90 days. "We can't afford that any longer," he says, "when marketing takes up 18% of revenues and the pressure is on to keep prices down. We have to make it possible for the salesperson to handle multiple opportunities and at the same time close on individual orders as fast as possible."

Penetration the key

At the same time, Cassady wants the typical order to add up to bigger bucks. "Traditionally," he notes, "the salesperson sold a terminal here, a couple there, and maybe three elsewhere. That costs us money because of the fixed investment in his sales time. Now, we tell him to sell 25 terminals to a Lockheed or a Rockwell as well as a printer and a camera."

The key to higher yields is deeper account penetration. "It's easier for the salesperson to skim an account than penetrate it," Cassady admits. "But it's better for the company when he penetrates an account, because the deeper he goes, the longer-lasting relationship he will have and the greater likelihood of bigger orders."

Cassady maintains that achieving these goals is based on "providing more solutions for the salesperson to sell so that the sale can be made easier." To this end, Ramtek is investing heavily in new clusters of products that can be aimed at market targets as well as providing sales tools that will help in the sale.

One such tool is a software affiliation program with outside vendors. "The industry is trending towards more canned packages in the applications area," Cassady notes, "because the customer can get them very quickly and they're very efficient." As a result, Ramtek has agreements with 60 software companies, offering more than 100 packages.

Because the decreasing cost of semiconductor logic and memory is driving the prices of computer graphics hardware down, Ramtek has to sell considerably more volume just to maintain its dollar level. Consequently, Cassidy overhauled his quota and compensation plans to reflect the need to sell more units rather than dollars for the terminal product line. Incentive payments previously made on the basis of dollar sales are now paid as so many dollars per unit with bonuses on meeting quarterly goals.

'We're not bothered by today's bottom line because we're investing in the future growth of this company.'

—W. Cassady, marketing vice president, Ramtek

To drive the point home, Cassady devised a two-level quota system. Level 1 quotas are based on revenue targets. Level 2 quotas are scaled at a higher level but carry considerably heftier bonuses for sales representatives who want a bigger challenge. The salespeople pick the level they want to be measured by. "However, we don't want them to bite off more than they can chew," Cassady says, "so the one-fifth of the 30-odd salespeople who picked Level 2 had to get their sales managers' approval."

Should salespeople want to change the level picked as the year progresses, depending on how sales are going, they are free to do so but the bonuses are affected. Cassady thinks the options offered by the two-level system make the salespeople put more thought into analyzing their territory's potential and forecasting what they can achieve.

Strategizing compensation

Most companies fail to use compensation as a means of implementing marketing strategy, Cassady says, "because the people who devise incentive plans are removed from the people who devise product strategy, and both of them are removed from those who implement the strategy. To avoid that, I sit down with the product manager and decide where we want to go. Then I go to the sales administration people and devise a compensation plan that will implement the strategy. Later, I confer with the four operations managers to measure the progress made in implementing the strategy."

Along with the compensation plan, sales territories have been redesigned and made more compact to promote deeper account penetration. "When a salesperson covered North Texas, Oklahoma, and Louisiana, there was a tendency to wait for leads to come in over the phone or the transom. He sort of moved from opportunity to opportunity, which you can do when you're a small company. Now that same salesperson is given Dallas, for example, and told to develop the business there intensively. By concentrating on that territory he is more likely to develop the sustained rate of orders we need to keep our costs low." Which is as good a way as any to describe the critical step in achieving true marketing orientation, by Ramtek or anyone else.